

CITY OF HOQUIAM
Grays Harbor County, Washington
January 1, 1991 Through December 31, 1992

Schedule Of Findings

1. Internal Controls Over Fixed Assets Should Be Improved

In prior audits, we have recommended that the city develop a comprehensive system of accounting for general fixed assets and improve its detailed fixed asset records. City officials have not developed a system to provide adequate control over general fixed assets.

Fixed assets consist of land, buildings, and equipment. The city uses a combination of manual and automated records to account for various fixed asset transactions throughout the audit year. These records are not integrated into the city's general ledger accounting system. At year end, an adjusting journal entry is made to record purchases during the year. The city does not have an established uniform fixed asset capitalization policy, nor has it established a requirement for annual departmental physical inventories. Furthermore, not all assets have been physically tagged with city identification and property numbers.

Both the *Budgeting, Accounting and Reporting System (BARS)* manual, as promulgated by the State Auditor's Office and prescribed for Washington cities, and generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board, require accounting for and reporting of fixed assets. Without adequate detail supporting records, the city lacks the ability to adequately safeguard and report these assets.

The inadequate general fixed asset accounting system is partially attributed to insufficient funding and staffing by the city in fiscal years 1992 and 1991.

We continue to recommend that accounting controls over fixed assets be improved. City officials should:

- a. Establish a uniform capitalization policy for fixed assets purchased by the city.
- b. Complete their comprehensive physical inventory of fixed assets; including land, building and improvements. During the physical inventory, or at some other date, the city should properly identify assets with city identification and property numbers.
- c. Prepare and accumulate detail information on individual assets by historical cost and location in a general fixed asset subsidiary ledger. Ideally, all additions and retirements of general fixed assets should be recorded in the subsidiary ledger as they occur. Additionally, the subsidiary ledger should be reconciled to the general ledger control account in a timely manner.